

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS

For the six months ended 31 December 2006

1. GENERAL INFORMATION

The principal activity of the Company is investment holding. The subsidiaries of the Company are principally engaged in (i) the design, supply and integration of automation and control system; (ii) trading of automation products, electronic components and natural resources such as iron ore, iron sand, coal and other natural mineral products; (iii) property investment and (iv) investment in listed securities.

2. BASIS OF PREPARATION

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and in compliance with Hong Kong Accounting Standard (“HKAS”) 34, Interim financial reporting, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

The interim financial report has been prepared in accordance with the same accounting policies adopted in the Group’s annual financial statements for the year ended 30 June 2006, except that business segments have been reclassified as explained in Note 4.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the year ended 30 June 2006. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with the Hong Kong Financial Reporting Standards.

The interim financial report is unaudited, but has been reviewed by Moores Rowland Mazars in accordance with Statement of Auditing Standards 700, “Engagements to review interim financial reports”, issued by the HKICPA. Moores Rowland Mazars’s independent review report to the Board of Directors is included on page 11.

The financial information relating to the financial year ended 30 June 2006 that is included in the interim financial report as being previously reported information does not constitute the Company’s statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 30 June 2006 are available from the Company’s registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 24 October 2006.

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS

For the six months ended 31 December 2006

2. BASIS OF PREPARATION *(Continued)*

The Board of directors announced on 6 October 2006 that the Company discovered certain inadvertent accounting related errors concerning the calculation of sales and purchases for the six months ended 31 December 2005. The errors were an isolated and inadvertent accounting calculation error which resulted in misstatements of the Group's unaudited turnover and cost of sales stated in the interim financial report for the six months ended 31 December 2005. The corresponding figures for the six months ended 31 December 2005 in this interim financial report are restated in accordance with the figures of the Company's announcement dated 6 October 2006.

At the balance sheet date, the Group's current liabilities exceeded its current assets by approximately RMB94,192,000. In addition, a PRC subsidiary has been involved in a claim by a PRC bank for guarantee which were allegedly given by that subsidiary to a third party without formal approval of the Group management. The sustainability of the Group as a going concern is dependent on its ability to successfully obtain adequate medium to long term financing to fund its operations before sufficient cash flows are generated from profitable operations and to favourably resolve the claim. After evaluating all the relevant facts available to them, the Directors are of the opinion that the Group should be able to maintain itself as a going concern by raising adequate additional finance and by debt restructuring; details are set out below:

- (a) The Company has the option of requiring the subscriber to subscribe additional 100,000,000 convertible redeemable preference shares at HK\$0.4 each if the need arises;
- (b) The Company is in the process of negotiation for a restructuring of the short term bank loan of approximately RMB89,750,000 with the Bank of China, Shenzhen Branch and no immediate full repayment is required in short to medium term;
- (c) The Company are liaising closely with lawyers in the PRC and the third parties concerned to actively address the claim of approximately RMB60,700,000 raised by the PRC bank and will actively defend the questionable claim; and
- (d) The Company shall be able to raise additional funds in debt and/or by equity instrument as and when it is appropriate.

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS

For the six months ended 31 December 2006

3. TURNOVER, OTHER REVENUE AND OTHER INCOME

Turnover, other revenue and other income consist of:

| | For the six months ended 31 December | |
|--------------------------------------------------------------------------|-----------------------------------------|-------------|
| | (Restated) | |
| | 2006 | 2005 |
| | (Unaudited) | (Unaudited) |
| | RMB'000 | RMB'000 |
| Turnover | | |
| – Revenue from sales of automation products and electronic components | 11,697 | 104,450 |
| | 11,697 | 104,450 |
| Other revenue | | |
| – Bank interest income | 806 | 64 |
| – Unrealised gain on trust fund investments | – | 3,000 |
| | 806 | 3,064 |
| Other income | | |
| – Net gain on disposal of listed securities | 1,913 | – |
| – Excess of fair value of identified net assets acquired over cost | 1,385 | – |
| – Gain on disposal of property, plant and equipment | 54 | – |
| – Waiver of other loan, unsecured | 921 | – |
| – Others | 324 | 28 |
| | 4,597 | 28 |
| | 17,100 | 107,542 |

4. SEGMENT INFORMATION

To reflect the diversification of business activities of the Group, the Group has revised its business segment format. Formerly, the Group's businesses were classified into two segments, namely automation products, and project and technical services based on the product group and product similarities. For the period under review, the Group reclassified its businesses into three segments: technology, trading, and property investment. Technology segment comprises provision of technical and consultancy services including the provision of automation products on project base. Trading segment comprises the trading of natural resources, automation products as well as electronic components. Property investment segment comprises rental income arising from the Research and Development Centre in Shenzhen and the landed properties in Hong Kong. These segments reflect strategic planning for each business and are aimed at classifying the businesses based on their nature of operation. The comparative figures for the six months ended 31 December 2005 have been reclassified accordingly.

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS

For the six months ended 31 December 2006

4. SEGMENT INFORMATION *(Continued)*

Primary reporting format – Business Segments

For the six months ended 31 December 2006

| | Technology (Unaudited) RMB'000 | Trading (Unaudited) RMB'000 | Property investment (Unaudited) RMB'000 | Unallocated (Unaudited) RMB'000 | Consolidated (Unaudited) RMB'000 |
|----------------------------------------------------------|--------------------------------------|-----------------------------------|--------------------------------------------------|---------------------------------------|----------------------------------------|
| Turnover | - | 11,697 | - | - | 11,697 |
| Segment results | (695) | (7,044) | (21) | (1,400) | (9,160) |
| Finance costs | | | | | (4,713) |
| Share of loss of an associate | | | | | (33) |
| Loss before taxation | | | | | (13,906) |
| Income tax | | | | | (303) |
| Loss attributable to equity shareholders | | | | | (14,209) |
| <i>Other information</i> | | | | | |
| Capital expenditure | - | 138 | 16,631 | 390 | 17,159 |
| Depreciation and amortisation | 4 | 495 | 21 | 50 | 570 |
| Loss on disposal of property, plant and equipment | - | - | - | 13 | 13 |

For the six months ended 31 December 2005 (Reclassified)

| | Technology (Unaudited) RMB'000 | Trading (Unaudited) RMB'000 | Property investment (Unaudited) RMB'000 | Unallocated (Unaudited) RMB'000 | Consolidated (Unaudited) RMB'000 |
|---------------------------------------------------------------|--------------------------------------|-----------------------------------|--------------------------------------------------|---------------------------------------|----------------------------------------|
| Turnover (restated) | 359 | 104,091 | - | - | 104,450 |
| Segment results | (251) | 1,524 | (20) | (12,363) | (11,110) |
| Finance costs | | | | | (4,492) |
| Loss before taxation | | | | | (15,602) |
| Income tax | | | | | 2,172 |
| Loss attributable to equity shareholders | | | | | (13,430) |
| <i>Other information</i> | | | | | |
| Capital expenditure | - | 38 | 6,000 | - | 6,038 |
| Depreciation and amortisation | 294 | 264 | 21 | 56 | 635 |
| Loss on disposal of property, plant and equipment | - | 25 | - | 1 | 26 |
| Impairment loss on available-for-sale financial assets | - | - | - | 11,559 | 11,559 |

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS

For the six months ended 31 December 2006

4. SEGMENT INFORMATION *(Continued)*

Secondary reporting format – Geographical Segments

In presenting information on the basis of geographical segments, segment turnover is based on the geographical location of customers. Segment assets and capital expenditure are based on the geographical location of assets.

| | Turnover | | Total assets | | Capital expenditure | |
|---------------------------|-------------------|----------------|-------------------|----------------|---------------------|--------------|
| | (Restated) | | At 31 December | At 30 June | For the six months | |
| | ended 31 December | | | | ended 31 December | |
| | 2006 | 2005 | 2006 | 2006 | 2006 | 2005 |
| (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| PRC (including Hong Kong) | 11,697 | 77,297 | 205,999 | 183,910 | 17,159 | 6,038 |
| Malaysia | - | 27,153 | - | - | - | - |
| | 11,697 | 104,450 | 205,999 | 183,910 | 17,159 | 6,038 |
| Interest in an associate | | | 11,696 | - | | |
| Total assets | | | 217,695 | 183,910 | | |

5. FINANCE COSTS

| | For the six months ended 31 December | |
|----------------------------------------------------------------------------------------|-----------------------------------------|--------------------------------|
| | 2006 (Unaudited) RMB'000 | 2005 (Unaudited) RMB'000 |
| Interest on bank and other borrowings and overdraft wholly repayable within 5 years | 4,713 | 4,263 |
| Interest on bank and other borrowings wholly repayable after 5 years | - | 229 |
| | 4,713 | 4,492 |

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS

For the six months ended 31 December 2006

6. LOSS BEFORE TAXATION

Loss before taxation is stated after charging the following:

| | For the six months ended 31 December | |
|--------------------------------------------------------------------------------------------------|-------------------------------------------------|-------------|
| | 2006 | 2005 |
| | (Unaudited) | (Unaudited) |
| | RMB'000 | RMB'000 |
| Staff costs (including directors' emoluments): | | |
| Salaries, wages and other benefits | 4,722 | 2,764 |
| Contributions to defined contribution plans | 261 | 167 |
| | 4,983 | 2,931 |
| Bad debts | – | 366 |
| Cost of inventories | 10,274 | 99,708 |
| Depreciation and amortisation (net of depreciation capitalised in property under development) | 570 | 635 |
| Impairment loss on available-for-sale securities | – | 11,559 |
| Loss on disposal of property, plant and equipment | 13 | 26 |
| Operating lease rentals of premises | 1,108 | 687 |
| Provision for obsolete and slow moving inventories | – | 442 |
| Unrealised loss on financial assets at fair value through profit or loss | 180 | – |

7. INCOME TAX

Taxation charge in the condensed consolidated income statement

| | For the six months ended 31 December | |
|------------------------------|-------------------------------------------------|-------------|
| | 2006 | 2005 |
| | (Unaudited) | (Unaudited) |
| | RMB'000 | RMB'000 |
| Current taxation | | |
| – Hong Kong Profits tax | 303 | 197 |
| Over-provision in prior year | | |
| – Hong Kong Profits tax | – | (2,369) |
| Tax expenses (credit) | 303 | (2,172) |

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS

For the six months ended 31 December 2006

7. INCOME TAX *(Continued)*

(i) Overseas income tax

The Company is incorporated in the Cayman Islands and is exempted from taxation in the Cayman Islands until 2020. The Company's subsidiaries established in the British Virgin Islands are incorporated under the international Business Companies Acts of the British Virgin Islands and, accordingly, are exempted from payment of British Virgin Islands income taxes.

(ii) Hong Kong Profits tax

Hong Kong Profits tax has been provided for at the rate of 17.5% (2005: 17.5%) on the estimated assessable profits earned by a subsidiary operating in Hong Kong during the period.

(iii) PRC enterprise income tax

Taxation arising in the PRC is calculated at the rates prevailing in the PRC. No PRC enterprise income tax has been provided in the interim financial report as the PRC subsidiaries of the Company did not derive any assessable profits for the period (2005: nil).

The wholly owned subsidiaries of the Company, Techwayson Industrial Limited and Techwayson Technology (Shenzhen) Limited, are High-Tech enterprise which were established and are operating in a special economic zone of the PRC, and are normally subject to the PRC enterprise income tax at a rate of 15%. However, they are exempted from PRC enterprise income tax for two years starting from the first year of profitable operations after offsetting prior year losses, followed by a 50% reduction in the tax rate for the next six years.

The tax exemption period of Techwayson Industrial Limited expired on 31 December 2000 and thereafter, it is subject to the PRC enterprise income tax at 7.5% for years until 31 December 2003 and another three years until 31 December 2006 provided it continues to qualify as a High-Tech enterprise.

8. LOSS PER SHARE

The calculation of basic loss per share for the six months ended 31 December 2006 is based on the consolidated loss attributable to equity shareholders of approximately RMB14,209,000 (2005: RMB13,430,000) and the weighted average number of 350,000,000 shares (2005: 350,000,000 shares) in issue during the period.

No diluted loss per share is presented as there were no dilutive potential ordinary shares in issue during the six months ended 31 December 2006 and 2005.

9. DIVIDENDS

The directors do not recommend the payment of interim dividend for the six months ended 31 December 2006 (2005: nil).

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS

For the six months ended 31 December 2006

10. CAPITAL EXPENDITURE

| | For the six months ended 31 December 2006 | | | |
|-----------------------------|-------------------------------------------|-------------------------------|--------------------------|--------------------------|
| | Property, plant and equipment | Property under development | Investment properties | Prepaid lease payment |
| | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| <i>Net book value</i> | | | | |
| At 1 July 2006 | 2,796 | 72,285 | – | 1,987 |
| Additions | 528 | 16,631 | – | – |
| Acquisition of a subsidiary | – | – | 44,736 | – |
| Depreciation/amortisation | (567) | – | – | (21) |
| Disposal | (79) | – | – | – |
| Exchange difference | (29) | – | – | – |
| At 31 December 2006 | 2,649 | 88,916 | 44,736 | 1,966 |

11. INVENTORIES

| | 31 December 2006 (Unaudited) RMB'000 | 30 June 2006 (Audited) RMB'000 |
|--------------|-----------------------------------------------|-----------------------------------------|
| Merchandises | 11,166 | 2,459 |

12. TRADE RECEIVABLES

Trade receivables consisted of:

| | 31 December 2006 (Unaudited) RMB'000 | 30 June 2006 (Audited) RMB'000 |
|------------------------------------|-----------------------------------------------|-----------------------------------------|
| Trade receivables | 23,515 | 23,841 |
| Less: Provision for doubtful debts | (21,184) | (22,162) |
| | 2,331 | 1,679 |

Customers are normally required to settle the debts within one month upon issue of invoices, except for certain well established customers where the terms are extended to two to three months.

In the review of the recoverability of trade receivables at each balance sheet date, the management made their judgement based on the age of the amount due, the extent of settlements received subsequent to the balance sheet date and the accessibility of the trade receivables. For the year ended 30 June 2006, the management recognised a full provision in respect of trade debts of approximately RMB22,162,000 for which the relevant customers were not accessible. This provision has not yet been written off as bad debts and carried forward at 31 December 2006 with the carrying amount of approximately RMB21,184,000 calculated at the group foreign currency translation rate at 31 December 2006.

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS

For the six months ended 31 December 2006

12. TRADE RECEIVABLES *(Continued)*

Ageing analysis of trade receivables, net of provision, is as follows:

| | 31 December 2006 (Unaudited) RMB'000 | 30 June 2006 (Audited) RMB'000 |
|-------------------|---------------------------------------------------------|-----------------------------------------|
| Trade receivables | | |
| 0 – 60 days | 507 | 909 |
| 61 – 90 days | 668 | 97 |
| 91 – 365 days | 493 | 141 |
| Over 365 days | 663 | 532 |
| | 2,331 | 1,679 |

13. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

| | 31 December 2006 (Unaudited) RMB'000 | 30 June 2006 (Audited) RMB'000 |
|-------------------------------|---------------------------------------------------------|-----------------------------------------|
| Purchase deposits | 12,809 | 183 |
| Prepayments | 31 | 481 |
| Utilities and rental deposits | 1,049 | 1,005 |
| Other receivables | 1,918 | 4,270 |
| | 15,807 | 5,939 |

14. TRADE PAYABLES AND BILLS PAYABLE

Ageing analysis of trade payables and bills payable at the period/year end date is as follows:

| | 31 December 2006 (Unaudited) RMB'000 | 30 June 2006 (Audited) RMB'000 |
|----------------|---------------------------------------------------------|-----------------------------------------|
| Trade payables | | |
| 0 – 60 days | 1,856 | 864 |
| 61 – 90 days | 748 | – |
| 91 – 365 days | 199 | 25 |
| Over 365 days | 1,696 | 1,753 |
| | 4,499 | 2,642 |
| Bills payable | | |
| 0 – 60 days | 2,879 | – |

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS

For the six months ended 31 December 2006

15. INTEREST-BEARING BORROWING

| | 31 December 2006 (Unaudited) RMB'000 | 30 June 2006 (Audited) RMB'000 |
|-----------------------|---------------------------------------------------------|-----------------------------------------|
| Other loan, unsecured | – | 9,478 |

The above loan was wholly repayable within five years and the maturity is as follows:

| | 31 December 2006 (Unaudited) RMB'000 | 30 June 2006 (Audited) RMB'000 |
|-------------------------------------------------------------------|---------------------------------------------------------|-----------------------------------------|
| On demand or within one year | – | 4,798 |
| More than one year, but not exceeding two years | – | 2,340 |
| More than two years, but not exceeding five years | – | 2,340 |
| | – | 9,478 |
| Less: Amounts due within one year shown under current liabilities | – | (4,798) |
| Non-current portion shown under non-current liabilities | – | 4,680 |

The loan bears interest at LIBOR plus 0.5% per annum and is repayable in 16 equal instalments over a period of 8 years from September 2001. In December 2006, the Company has made full repayment for this loan.

16. SHORT TERM BANK LOANS

| | 31 December 2006 (Unaudited) RMB'000 | 30 June 2006 (Audited) RMB'000 |
|-----------------------|---------------------------------------------------------|-----------------------------------------|
| Bank loans, secured | 9,941 | – |
| Bank loans, unsecured | 99,691 | 97,912 |
| | 109,632 | 97,912 |

Included in the above loans was a loan with outstanding balance of approximately RMB89,750,000 at 31 December 2006 (30 June 2006: approximately RMB97,912,000) borrowed from the Bank of China Shenzhen Branch (“BOC”) by a PRC subsidiary of the Company. It bears interest at 6.372% and was overdue since September 2005. This interest rate has been increased to 9.558% as a penalty imposed by BOC. In December 2006, the Shenzhen Arbitration Committee made a decision in favour of BOC which has however subsequently agreed not to enforce its right to demand immediate repayment from the Group for a period of six months in order to allow the bank to restructure the outstanding debt into a loan secured against the property under development.

The remaining amount represents short-term loans borrowed from two local banks by other subsidiaries of the Company which bears interest at the prevailing market interest rate and will become due within one year.

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS

For the six months ended 31 December 2006

17. SHARE CAPITAL

(a) Ordinary share capital

| | 31 December 2006 | | 30 June 2006 | |
|-------------------------------------------------------------|---------------------|------------------------|-------------------|----------------------|
| | No. of shares | | No. of shares | |
| | (Unaudited) '000 | (Unaudited) RMB'000 | (Audited) '000 | (Audited) RMB'000 |
| Authorised: | | | | |
| Ordinary shares of RMB0.106 (equivalent to HK\$0.1) each | 1,000,000 | 106,000 | 1,000,000 | 106,000 |
| Ordinary shares, issued and fully paid: | | | | |
| At 31 December 2006/30 June 2006 | 350,000 | 37,100 | 350,000 | 37,100 |

(b) Convertible redeemable preference shares

| | 31 December 2006 | | 30 June 2006 | |
|---------------------------------------------------------------------|---------------------|------------------------|-------------------|----------------------|
| | No. of shares | | No. of shares | |
| | (Unaudited) '000 | (Unaudited) RMB'000 | (Audited) '000 | (Audited) RMB'000 |
| Convertible redeemable preference shares, issued and fully paid: | | | | |
| At 1 July 2006/1 July 2005 | 250,000 | 104,000 | – | – |
| Shares issued | 110,000 | 43,742 | 250,000 | 104,000 |
| At 31 December 2006/30 June 2006 | 360,000 | 147,742 | 250,000 | 104,000 |

At 28 June 2006, the Company issued 250,000,000 convertible redeemable preference shares of par value of HK\$0.10 at a subscription price of HK\$0.40 each. At 29 December 2006, the Company further issued 110,000,000 convertible redeemable preference A shares of par value of HK\$0.10 at a subscription price of HK\$0.40 each.

The major terms of the above-mentioned preference shares are set out below:

- (i) For the convertible redeemable preference shares issued on 28 June 2006, the Company has the right, exercisable immediately following the end of the conversion period (prior to any extension thereof) and up to the third anniversary of the date of the initial issue of the convertible redeemable preference shares pursuant to the relevant agreement, to require the mandatory conversion of all or part of the outstanding convertible redeemable preference share into new Ordinary Shares, or to require the redemption of all or part of the outstanding convertible redeemable preference shares into new Ordinary Shares, at amount equal to all amounts paid up or credited as paid up on the convertible redeemable preference shares.

Pursuant to the relevant agreement, the Company has the right to exercise the option to require the subscriber to further subscribe for an additional 100,000,000 convertible redeemable preference shares at HK\$0.40 each. These convertible redeemable preference shares are convertible into new ordinary shares of the Company during the conversion period at the conversion price of HK\$0.40.

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS

For the six months ended 31 December 2006

17. SHARE CAPITAL *(Continued)*

(b) Convertible redeemable preference shares *(Continued)*

- (ii) For the convertible redeemable preference A shares issued on 29 December 2006, the Company has the right, exercisable immediately following the end of the conversion period (prior to any extension thereof) and up to the second anniversary of the date of the initial issue of the convertible redeemable preference A shares, to require the mandatory conversion of all or part of the outstanding convertible redeemable preference A shares into new Ordinary Shares, or to require the redemption of all or part of the outstanding convertible redeemable preference A shares at the amount equal to all amounts paid up or credited as paid up on the convertible redeemable preference A shares.
- (iii) The convertible redeemable preference shares and convertible redeemable preference A shares are not transferable and do not carry the right to vote. Each share is entitled to be paid a fixed cumulative preferential dividend in priority to any payment to the holders of any other class of shares at the rate of 3.5% per annum on the amount paid up or credited as paid up.

Based on their terms and conditions, the convertible redeemable preference shares and convertible redeemable preference A shares have been presented as equity instrument in the balance sheet.

18. DEFERRED TAXATION

Deferred taxation is calculated in full on temporary differences under the liability method using the taxation rate applicable to profits in the countries concerned (year ended 30 June 2006: not provided).

Deferred income tax assets are recognised for tax loss carried forwards and other deductible temporary differences to the extent that realisation of the related tax benefit through the future taxable profits is probable. The Group has unrecognised tax loss of approximately RMB55,600,000 (30 June 2006: RMB57,047,000) to carry forward against future taxable income.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxes relate to the same fiscal authority.

The movement in net deferred tax assets (liabilities) during the period/year is as follows:

| | Accelerated tax depreciation | | Taxation losses | | Total | |
|--------------------------------------------------------------------------|--------------------------------------------|--------------------------------------|--------------------------------------------|--------------------------------------|--------------------------------------------|--------------------------------------|
| | 31 December 2006 (Unaudited) RMB'000 | 30 June 2006 (Audited) RMB'000 | 31 December 2006 (Unaudited) RMB'000 | 30 June 2006 (Audited) RMB'000 | 31 December 2006 (Unaudited) RMB'000 | 30 June 2006 (Audited) RMB'000 |
| At 1 July 2006/1 July 2005 | - | - | - | - | - | - |
| Acquisition of a subsidiary (Charged) credited to income statement | (1,166) (52) | - | 1,166 52 | - | - | - |
| At 31 December 2006/ 30 June 2006 | (1,218) | - | 1,218 | - | - | - |

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS

For the six months ended 31 December 2006

19. COMMITMENTS

(a) Capital commitments

| | 31 December 2006 (Unaudited) RMB'000 | 30 June 2006 (Audited) RMB'000 |
|-------------------------------------------------------------------------------------------------------|---------------------------------------------------------|-----------------------------------------|
| Authorised and contracted for the capital expenditure in respect of the property under development | 6,243 | 31,592 |

(b) Operating lease commitments

- (i) At the balance sheet date, the Group had total future minimum lease payments under non-cancellable operating leases which are payable as follows:

| | For premises | | For equipment | |
|----------------------------|---------------------------------------------------------|-----------------------------------------|---------------------------------------------------------|-----------------------------------------|
| | 31 December 2006 (Unaudited) RMB'000 | 30 June 2006 (Audited) RMB'000 | 31 December 2006 (Unaudited) RMB'000 | 30 June 2006 (Audited) RMB'000 |
| Within one year | 1,709 | 2,087 | 18 | 17 |
| Between two and five years | 501 | 1,268 | 63 | 72 |
| | 2,210 | 3,355 | 81 | 89 |

- (ii) At the balance sheet date, the Group had total future minimum lease payments under non-cancellable operating leases which are receivable as follows:

| | For premises | |
|----------------------------|---------------------------------------------------------|-----------------------------------------|
| | 31 December 2006 (Unaudited) RMB'000 | 30 June 2006 (Audited) RMB'000 |
| Within one year | 982 | - |
| Between two and five years | 252 | - |
| | 1,234 | - |

20. PLEDGE OF ASSETS

As at 31 December 2006, a subsidiary of the Company has pledged its certain investment properties with carrying value of approximately RMB14,067,000 (30 June 2006: Nil) to a bank to secure general banking facilities granted to this subsidiary.

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS

For the six months ended 31 December 2006

21. ACQUISITION OF A SUBSIDIARY

The Group acquired the following subsidiary during the period:

| Name | Principal activities | Date of acquisition | Percentage of equity interest acquired | Component of cost | Cost RMB'000 |
|--------------------|----------------------|---------------------|----------------------------------------|-----------------------------------------------------|-----------------|
| Weina Land Limited | Property investment | 29/12/2006 | 100% | Issue of convertible redeemable preference A shares | 43,742 |

On 29 December 2006, the Company acquired 100% equity interest of the above subsidiary together with its shareholder's loan of HK\$42,823,000 (equivalent to approximately RMB42,572,000) at a consideration of HK\$44,000,000 (equivalent to approximately RMB43,742,000) which was satisfied by the issue of 110,000,000 convertible redeemable preference A shares of par value of HK\$0.10 at a subscription price of HK\$0.40 each by the Company to the vendor.

The aggregate assets and liabilities arising from the acquisition are as follows:

| | Fair value (Unaudited) RMB'000 |
|--------------------------------------------------------------------------|--------------------------------------|
| Investment properties | 44,736 |
| Trade and other receivables | 10,235 |
| Cash and cash equivalents | 543 |
| Trade and other payables | (446) |
| Shareholder's loan | (42,572) |
| Short-term bank loan | (9,941) |
| Net assets acquired | 2,555 |
| Total purchase consideration | 1,170 |
| Excess of net fair value over consideration recognised in profit or loss | 1,385 |
| Cash and cash equivalents in subsidiary acquired | 543 |
| Cash inflow on acquisition | 543 |

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS

For the six months ended 31 December 2006

21. ACQUISITION OF A SUBSIDIARY (Continued)

The aggregate revenue and the profit of the acquired subsidiary are as follows:

| | For the six months ended 31 December 2006 (Unaudited) RMB'000 | Post acquisition (Unaudited) RMB'000 |
|---------------|------------------------------------------------------------------------------------------|---------------------------------------------------------|
| Total revenue | 1,026 | – |
| Profit | 175 | – |

22. CONTINGENT LIABILITIES

- (a) As at 31 December 2006, the Company has an outstanding corporate guarantees to a PRC bank to secure a term-loan granted to one of its subsidiaries and the loan facilities utilised by that subsidiary totaled approximately RMB89,750,000 (30 June 2006: approximately RMB98,000,000).
- (b) At 31 December 2006, a PRC subsidiary of the Company, Techwayson Industrial Limited (“TWS”), has allegedly provided a corporate guarantee to a PRC bank (the “Bank”) in respect of the outstanding loan indebtedness of RMB60,692,650, together with interest, owed by Shenzhen Ji Hai Industrial Company. A judgment was made by the relevant court on the litigation regarding the alleged corporate guarantee given by TWS in favour of the Bank. However, the Group was advised that the case would be defensible in view of certain irregularities of the alleged guarantee, TWS has made an appeal against the judgement and no provision for this alleged guarantee has been made.

23. RELATED PARTY TRANSACTIONS

Additional to the transactions and balances disclosed elsewhere in this interim financial report, the Group has incurred the following amount as remuneration for key management personnel which includes the amounts paid to the Company's directors:

| | For the six months ended 31 December 2006 (Unaudited) RMB'000 | For the six months ended 31 December 2005 (Unaudited) RMB'000 |
|-------------------------------------------------|------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------|
| Salaries and other short-term employee benefits | 1,573 | 976 |

24. APPROVAL

This unaudited interim financial report was approved by the board of directors on 28 March 2007.